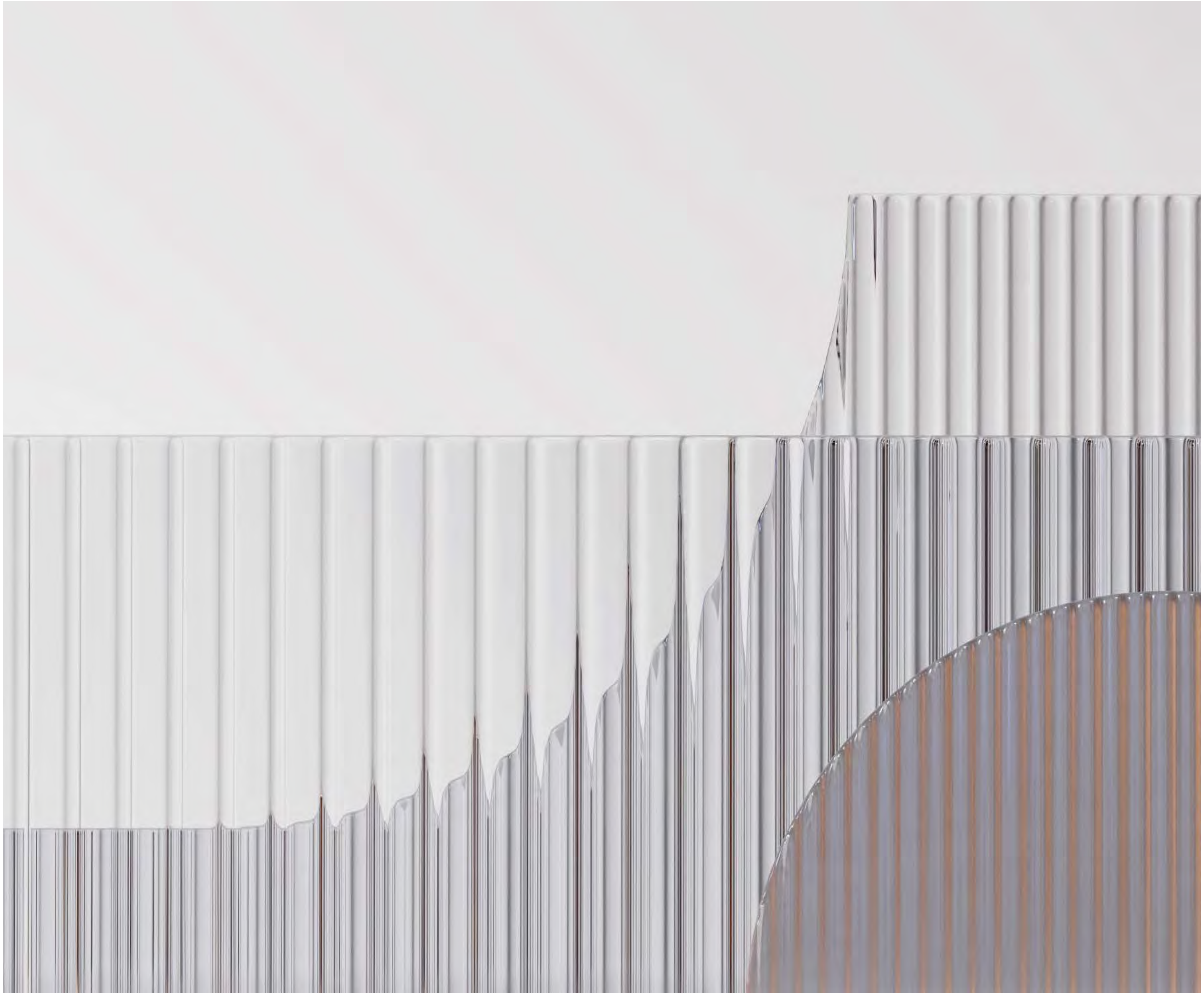
ISSUE 01 ANNUAL JOURNAL

The Kimmeridgean

Q1 2025



From the ground up

The Kimmre team offer clients an unrivalled, partner-level service across the full property lifecycle from land acquisition through development, asset management and leasing to investment disposal.

CORE SERVICES

01.

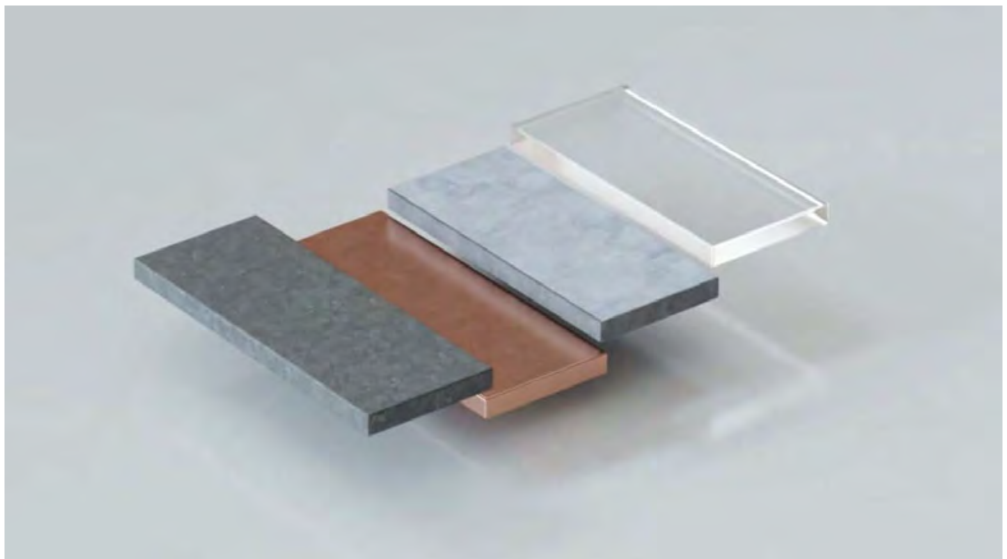
ACQUISITION

Kimmre pride themselves on understanding clients requirements. We take a "treat it like it is your own money" approach to all deals and ensure we deliver not only the acquisition but also the whole business plan solution.

02.

DEVELOPMENT

From land assembly to sourcing development finance, the team are able to provide a best in class service to developers, occupiers and investors looking to fund projects.



03.

MANAGEMENT

Kimmre stand out from our competitors by both understanding but also actively providing the asset management solution for clients. Living the entire life cycle of a property from development and acquisition to final sale, the team are experts in strategic asset management adding value across the board.

04.

DISPOSAL

Kimmre offer best in class service by utilising our extensive network and state of the art prop tech to ensure our clients get the best result.

Key Deals

LATEST DEALS

STRUCTURED FINANCE ACQUISITION

Project Camelot - Merlin Theme Parks

Client: M&G
Properties: 910 Acres
Price: £257.0m / 2.99% NIY

SUPERMARKET ACQUISITION

Project Rawson - Morrison's Supermarkets, UK

Client: PIF Strategies
Area: 315,791 sq ft GIA (4 properties)
Price: £100.0m

VALUE ADD STRATEGY ACQUISITION

Volt Portfolio - Premier Inn Hotels, UK

Client: Brydell Partners
Keys: 369
Price: £26.0m / 6.32% NIY

LONDON OFFICE ACQUISITION

Ryder Court, St James's, London, SW1Y 6QB

Client: M&G
Area: 76,283 sq ft
Price: £132.0m / 4.02% NIY - £1,775psf

REGIONAL OFFICE DISPOSAL

Temple Quay House, Bristol, BS1 6HA

Client: Alpha Real Capital
Floor Area: 154,000 sq ft
Price: £73.35m / 3.85% NIY - £476psf

MULTI LET ACQUISITION

Masthead Industrial Estate, Dartford, DA2 6QG

Client: Harleyford Capital
Area: 199,291 sq ft GIA
Price: £39.5m / 5.16% NIY

DISTRIBUTION ACQUISITION

Co-Operative Distribution Centre, NG17 1JF

Client: Tritax Big Box REIT
Area: 480,041 sq ft GIA
Price: £46.0m / 5.72% NIY

DISTRIBUTION ACQUISITION

DPD, Unit 1, Croydon, CR0 4XB

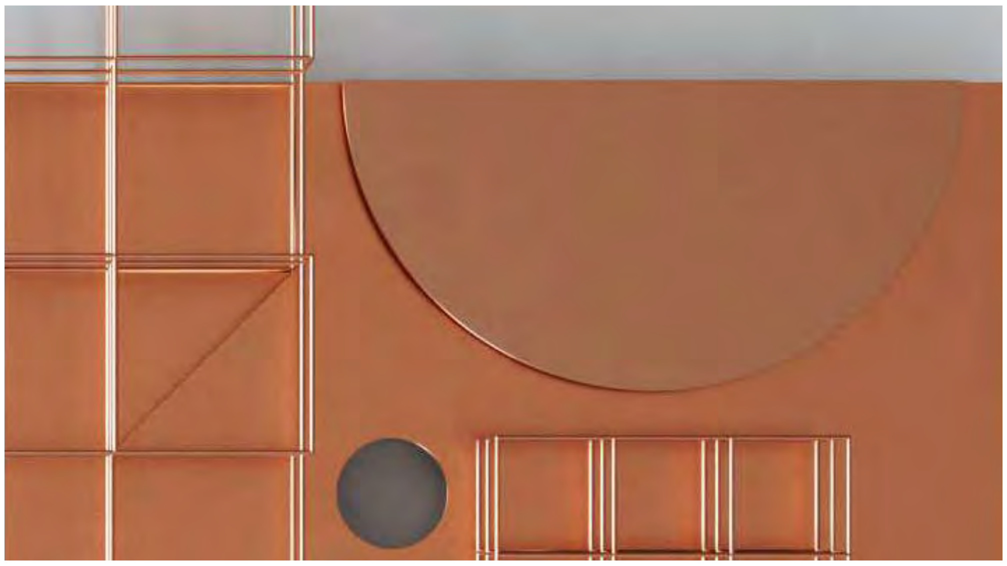
Client: Realterm
Area: 40,801 sq ft GIA
Price: £12.1m / 5.65% NIY

DISTRIBUTION DISPOSAL

Dawson 84, Milton Keynes, MK1 1LH

Client: Savills Investment Management
Area: 84,756 sq ft GIA
Price: £10.95m / 6.00% NIY

AREAS OF OPERATION

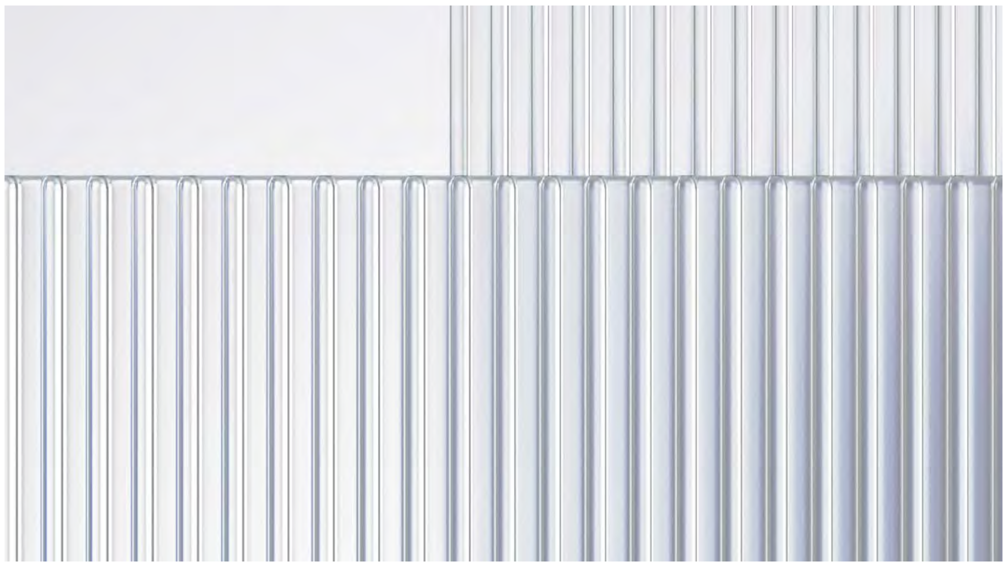


HOTEL & LEISURE

Operator selection, occupational analysis, FMEBITDA assessment, land acquisition, development and investment funding and consultancy. Specialists in Hotels, Serviced Apartments, Care Homes, PRS & PBSA.

ALTERNATIVES & RETAIL

Operator selection, occupational analysis, land acquisition, development and investment funding and consultancy. Sectors include Theme Parks, Car Parks, Supermarkets, Data Centres and Film Studios.

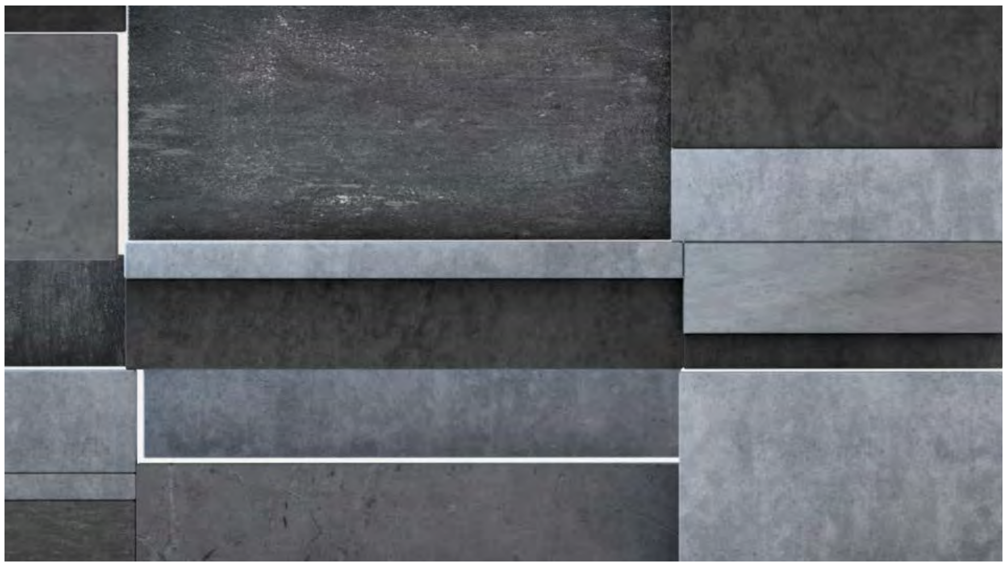


OFFICE

Acquisition and disposal of UK offices, providing strategic advice in Central London, South East and Regional Markets.

INDUSTRIAL & DISTRIBUTION

Land assembly, development, funding, investment advisory and occupational advice.



Hotel & Leisure

HOTEL & LEISURE TEAM

Operator selection, occupational analysis, FMEBITDA assessment, land acquisition, development and investment funding and consultancy. Specialists in Hotels, Serviced Apartments, Care Homes & PBSA.

Mike Burden

Partner
Long Income, Living and Operational Assets

Mike was previously Partner and head of Alternative Capital Markets (including Hotels) at Cushman & Wakefield. Mike co-founded Kimmre in 2015 and heads the Long Income, Living and Operating Assets team. Mike qualified as a Chartered Surveyor in 2007.

Mike is an experienced advisor in the development, operational structuring, operator selection, sale and acquisition of hotels across the UK, as well as being a specialist advisor on technical operational assets across the alternative markets.

Rory Turner

Partner
Long Income, Living and Operational Assets

Following 6 years at Cushman & Wakefield, Rory joined Kimmre in 2017 to grow the Long Income, Living and Operating Assets team and is a Partner of the firm.

Rory is an experienced advisor in the sale and acquisition of UK Hotels, and Student Living, both leased and managed. He advises a number of institutions and property companies on development and investment strategies.

Naveen Kumar

Senior Analyst
Long Income, Living and Operational Assets

Naveen is a qualified chartered accountant having secured his qualification from The Institute of Chartered Accountants of India. Naveen joined Kimmre after completing his MBA in Global Financial Services from Coventry University.

Naveen leads the Kimmre in-house research team and assists with the day-to-day running of the transaction, including due diligence, P&L underwrite and marketing.

Sam Webster

Real Estate Analyst
Long Income, Living and Operational Assets

Sam is an Economics graduate who joined Kimmre in 2024 as an Analyst. Sam provides full analytical support to the Kimmre teams across all sectors and business streams.

Kimmre

Annual round up of property news and insights from the team

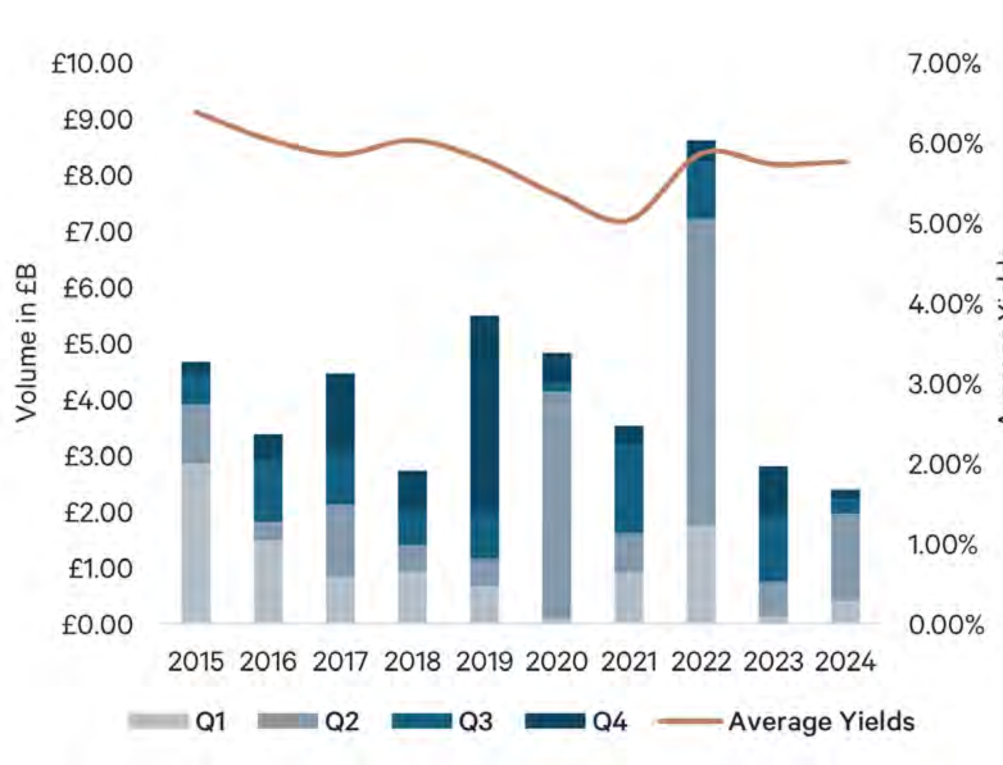
ISSUE 01 Hotel & Leisure Edition

Q1 2025

The Kimmeridgean

UK Hotel Investment Market Overview

Figure 1: Transaction Volumes & Yields



2024 Highlights

- Strongest first half since 2015: £4.3 billion changed hands during first half.
- Q3 2024: £744 million invested in hotel sector. Over 2.5x of levels seen in Q3 2023.
- Q4 2024: £1.37 billion worth of assets traded, making it the strongest Q4 since 2021.
- Record Highs: 2024 hotel investment levels were seen at c£6.45 billion, highest since 2018 (Figure 1).
- Market Dynamics: High-interest rates challenge debt-focused buyers, favoring cash buyers who are exploiting market opportunities.

Key Deals

1. Blackstone Acquired Village Hotels for c£780m.
2. Landsec purchased Accor Invest hotel portfolio for c£400m.
3. London Metric merged with LXI REIT leading to a transfer of c£359m worth of hotels.
4. GoldenTree acquired 66 Travelogde hotels from LXI REIT for c£210m.
5. Starwood Capital bought £800m Radisson Blu portfolio.

RevPAR vs RPI

There is a common misconception among investors that uncapped RPI leased hotels have a tendency to quickly become overrented, however our research demonstrates that over a 14-year historic trend, budget hotel RevPAR growth has outpaced inflation. While there may be a delay in passing inflationary pressure to consumers, these hotels eventually manage to do so. Looking ahead, we expect that budget hotel RevPAR will continue to outperform inflation. (Figure 2)

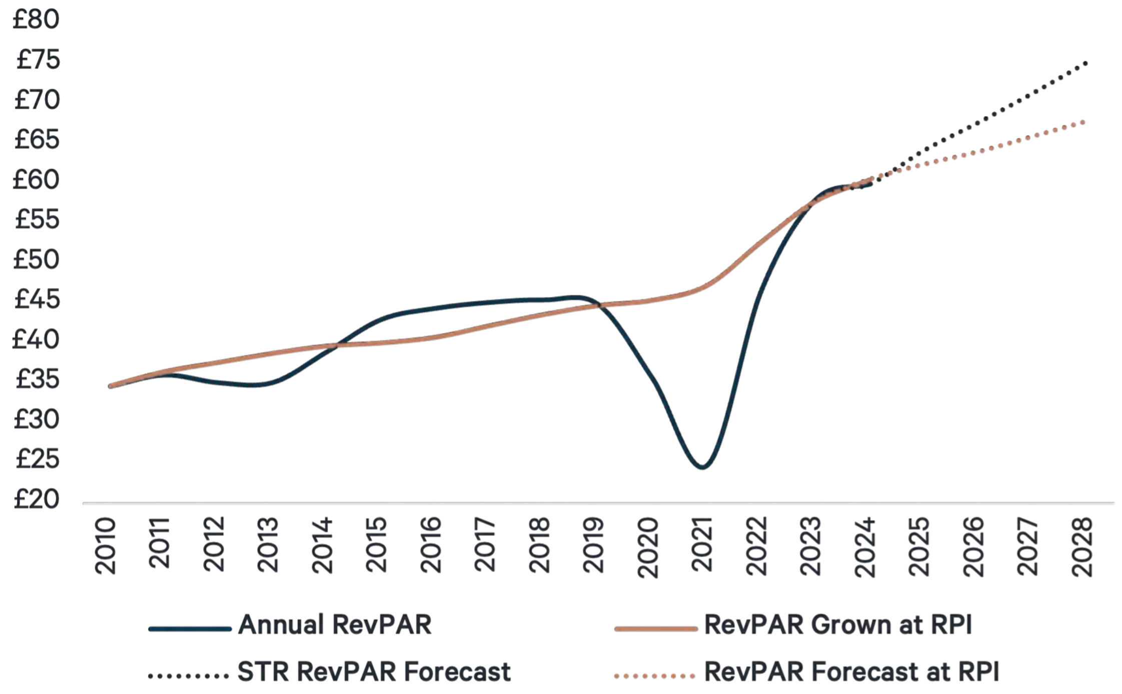
Depth of Market

The average hotel yields have seen some contraction post rate cut in Q3. The growing number of transactions has increased confidence and appetite, and the buyer pool is growing daily which will see a further hardening of yields over the next 2-3 quarters as the market is anticipating further rate cuts in 2025.

Yield Stability

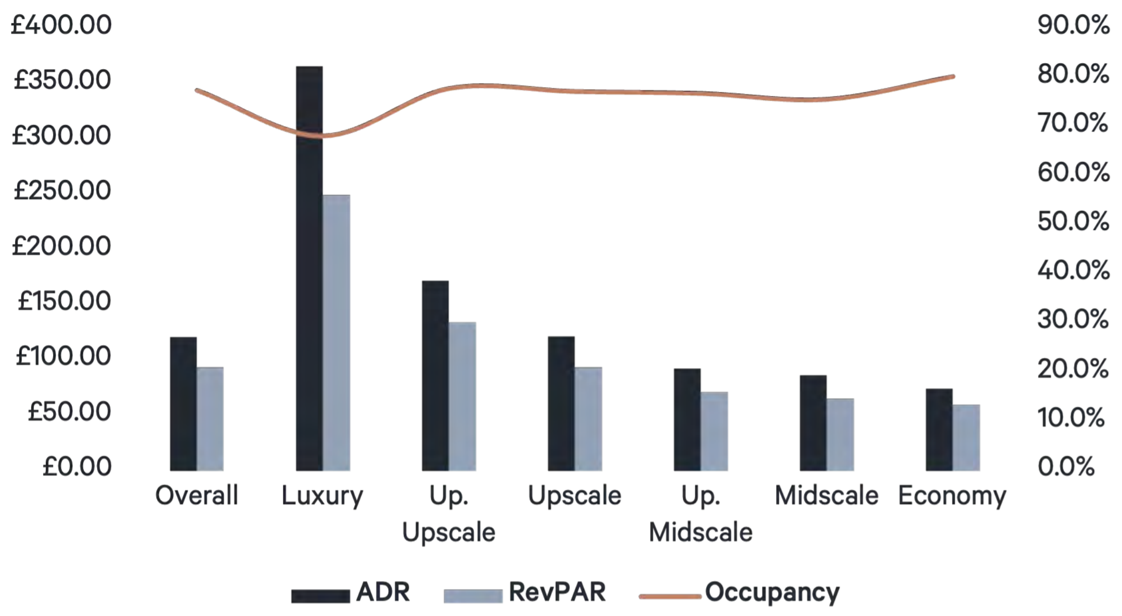
During the first quarter of 2024, the dominance of portfolio deals made pricing individual assets challenging due to a lack of evidence. The second quarter experienced an increase in single asset transactions, particularly within the leased hotel sector. By the third quarter, single asset transaction volumes had surpassed those of portfolio deals, driven by market anticipation of a potential rate cut. This expectation was confirmed when the Bank of England reduced the base rate by 25 basis points in August. There is very much a two-tiered market – with a pool of council mandates seeking ultra prime long income, evidenced by some competitive bidding for the recent Whitbread sale and lease backs in London and Oxford, demonstrating market support at yields between 3.90%-4.25%. Most of the recent activity has been from the opportunistic investor market seeking higher returns. Buyers have been targeting shorter lease terms or more opportunistic locations or covenants to secure higher yields which support leverage. It is this market along with portfolio deals which has driven the average yield upwards to compensate for the increased cost of finance. The growing depth of investor interest in this space leads us to forecast midterm yield compression.

Figure 2: Budget Hotel RevPAR vs Inflation



Occupational Market Overview

Figure 3: Transaction Volumes & Yields



Demand

The UK RevPAR saw a 2.6% increase in 2024 as occupancy and room rates continue to grow. Regional UK hotels have outperformed London. Despite the slower first half, regional hotels published stronger results during the summer as events boosted demand. While bank holidays boosted revenue to an extent, Weekday business has been crucial for revenue growth and is expected to remain so. Leisure demand has been variable over the past few months, prompting operators to adopt occupancy-driven strategies.

The ongoing recovery of international travel is anticipated to boost demand in the UK, particularly during the summer. Although, VisitBritain downgraded their forecasts now predicting approximately 38.7 million inbound visit compared to 39.5 million earlier, it is expected to support hotel demand growth in the UK.

Looking at rolling 12-month period, budget hotels achieved the highest occupancy levels at 80.4% (Figure 3) which is slightly below the record high levels achieved last year i.e. 80.6%. Over the past five years, Economy and Midscale hotels have achieved substantial growth in Revenue Per Available Room (RevPAR), with total increases of 34.7% and 32.5%, respectively, based on a 12-month rolling average. This reflects an average annual growth rate of 6.94% for Economy hotels and 6.50% for Midscale hotels.

In comparison, the Retail Price Index (RPI) over the same period indicates a total growth of 34.3%, slightly below the RevPAR growth observed in budget hotels. This data suggests that budget hotels possess a competitive advantage within the hotel industry, as they have effectively managed to not only pass on inflationary pressures to consumers but also achieve real growth beyond inflation.

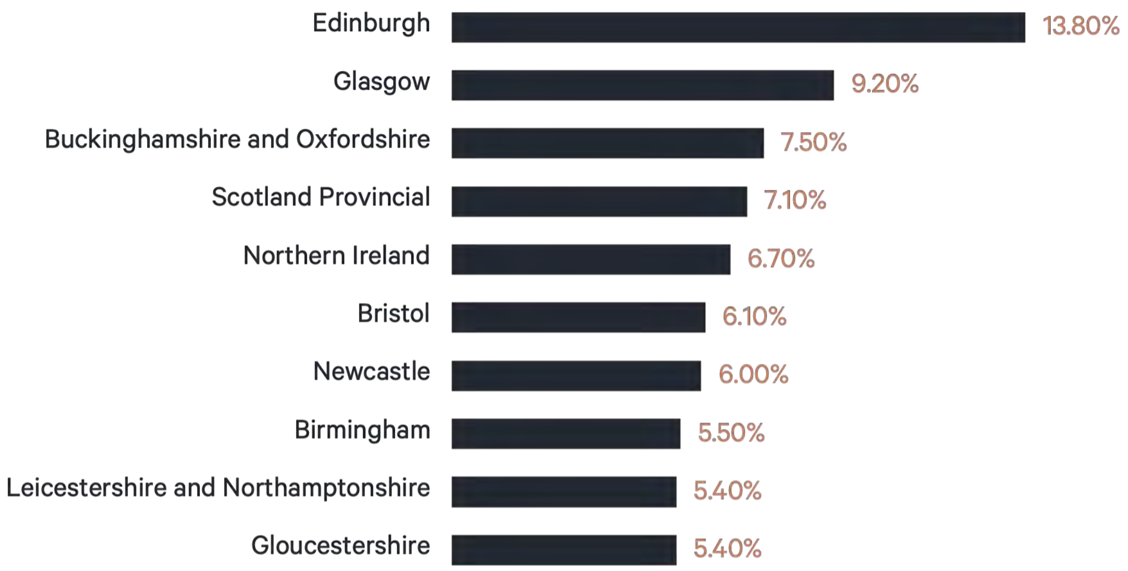
No other hotel category has demonstrated comparable performance in RevPAR growth over this five-year timeframe, highlighting the unique success of budget hotels in navigating economic conditions.

Kimmre's Pick: Edinburgh

STR 12-Month Occupancy: 84.2%
STR 12-Month ADR Growth: 11.2%
STR 12-Month RevPAR Growth: 13.8%

Edinburgh has shown the strongest RevPAR growth in the past 12 months. This growth is driven by increased occupancy and average daily room rates. Over a period of 5 years, Economy class has been the major driver registering an annualised RevPAR growth of c17% pa. In November 2024, Economy hotel RevPAR (12-Month rolling) reached £93.31, up from £50.42 in November 2019.

Figure 4: Top 10 STR Markets by 12-Month RevPAR Growth



To speak to one of the Kimmre Hotel & Leisure team, please contact:

Mike Burden
+44 (0)20 7952 6103
+44 (0)7815 305 180
mike.burden@kimmre.com

Rory Turner
+44 (0)20 7952 6302
+44 (0)7852 247 977
rory.turner@kimmre.com

Naveen Kumar
+44 (0)20 3198 9640
+44 (0)7767 736 180
naveen.kumar@kimmre.com

Sam Webster
+44 (0)20 3198 9636
+44 (0)7710 183 429
sam.webster@kimmre.com

Kimmre Forecast

THOUGHT LEADERSHIP

Long income real estate is in the cross hairs for a wide spectrum of investors, drawn to the risk adjusted return prospects. The yield gap between vendor and purchaser aspirations is narrowing, paving the way for increased transactional activity. While 2024 saw limited deals due to pricing mismatches, 2025 promises renewed momentum. Operational asset classes, particularly hotels, are drawing significant interest from investors seeking stable, long-term income streams. Improved debt markets and reduced borrowing costs are also helping close the gap between vendor and buyer aspirations, further fueling market activity. As market dynamics evolve, 2025 is set to be a year of strategic activity and growth in the long income space.

Mike Burden

TOMBSTONES - HOTELS & LEISURE

INVESTMENT ACQUISITION

MOTEL ONE

24-26 Minories, Tower Hill, London, EC3N 1BQ

2024

Sector: Hotel
Keys: 291
Client: LaSalle IM
Vendor: L&G
Price: c£56m / 5.70% NIY

INVESTMENT DISPOSAL

TRAVELODGE PORTFOLIO

Travelodge Hotels - Across the UK

2024 / 2025

Sector: Hotels - Portfolio
Keys: 224 - (6 hotels)
Client: IM Properties
Price: c£18m / 6.5% NIY

INVESTMENT ACQUISITION

VOLT PORTFOLIO

Premier Inn Hotels - Norwich, Chippenham, Worcester, Weston-Super-Mare

2024 / 2025

Sector: Hotels - Portfolio
Keys: 496
Client: Brydell Partners
Price: £33.1m / 6.5% NIY

INVESTMENT ACQUISITION

PROJECT CAMELOT

Merlin Theme Park - Alton Towers & Thorpe Park

2022

Sector: Alternatives - Structured Finance
Properties: 2
Client: Bridge M&G
Price: c£257m / 2.99% NIY

BUDGET HOTEL INVESTMENT MARKET TREND

“Despite market turbulence, prime budget hotel yields have shown remarkable resilience and stability.”

Prime budget hotel yields have generally followed the same trend as 10-Year UK Gilts but lagged slightly over the period of study.

During the Global Financial Crisis, hotel transaction volumes dropped but recovered by 2014. Brexit referendum caused a dip, but volumes rebounded in 2018-2019. The COVID-19 pandemic hit volumes, yet hotel yields remained stable while Gilt yields fell.

After the 2022 mini-budget, Gilt Yields surged, affecting investor confidence. Prime budget hotel yields softened but were more resilient than other sectors, moving out by only 125-150bps compared to 400-425bps movement in Gilts.

Alternatives & Retail

ALTERNATIVES & RETAIL TEAM

Operator selection, occupational analysis, land acquisition, development and investment funding and consultancy. Sectors include Theme Parks, Car Parks, Supermarkets, Data Centres & Film Studios.

Mike Burden

Partner
Long Income, Living and Operational Assets

Mike was previously Partner and head of Alternative Capital Markets (including Hotels) at Cushman & Wakefield. Mike co-founded Kimmre in 2015 and heads the Long Income, Living and Operating Assets team. Mike qualified as a Chartered Surveyor in 2007.

Mike is an experienced advisor in the development, operational structuring, operator selection, sale and acquisition of hotels across the UK, as well as being a specialist advisor on technical operational assets across the alternative markets.

Freddie Owen

Partner
UK Offices, Life Science

Freddie is a partner specialising in the acquisition, disposal and financing of major commercial investments and developments with a focus on Offices, Life Sciences & Innivation, Film Studios and mixed use schemes.

Freddie has extensive experience in appraising investment & development opportunities and advises a range of UK and International clients on developing investment strategies.

Rory Turner

Partner
Long Income, Living and Operational Assets

Following 6 years at Cushman & Wakefield, Rory joined Kimmre in 2017 to grow the Long Income, Living and Operating Assets team and is a Partner of the firm.

Rory is an experienced advisor in the sale and acquisition of UK Hotels, and Student Living, both leased and managed. He advises a number of institutions and property companies on development and investment strategies.

Naveen Kumar

Senior Analyst
Long Income, Living and Operational Assets

Naveen is a qualified chartered accountant having secured his qualification from The Institute of Chartered Accountants of India. Naveen joined Kimmre after completing his MBA in Global Financial Services from Coventry University.

Naveen leads the Kimmre in-house research team and assists with the day-to-day running of the transaction, including due diligence, P&L underwrite and marketing.

Sam Webster

Real Estate Analyst
Long Income, Living and Operational Assets

Sam is an Economics graduate who joined Kimmre in 2024 as an Analyst. Sam provides full analytical support to the Kimmre teams across all sectors and business streams.

Kimmre

Annual round up of property news and insights from the team

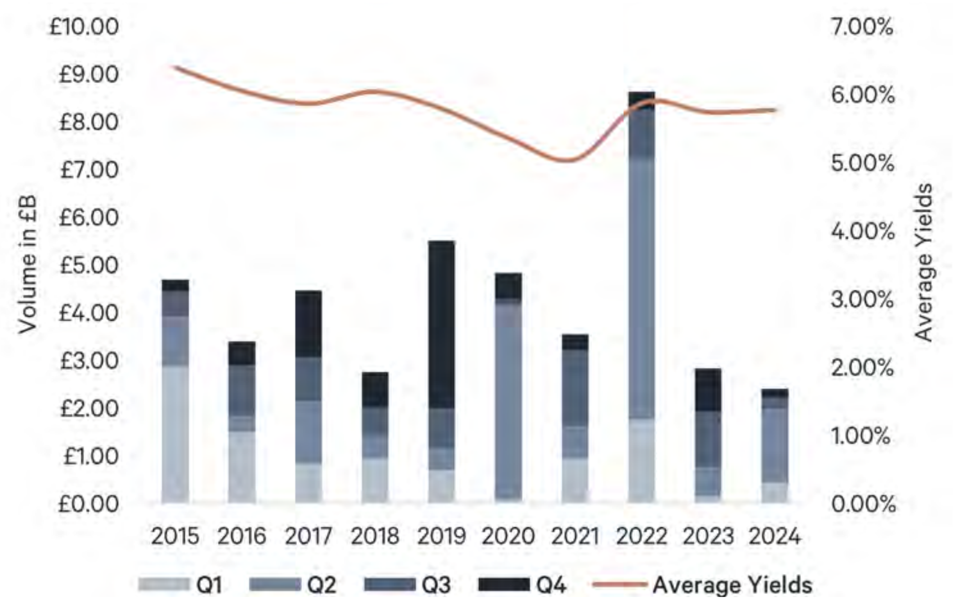
ISSUE 01 Alternatives & Retail Edition

Q1 2025

The Kimmeridgean

UK Student Investment Market Overview

Transaction Values and Yields



Market Overview

The UK student investment market has demonstrated a significant decline in transaction volumes over the past two years, following a record peak of £8.6 billion in 2022. Year 2024 saw just c£2.4b worth of transactions in the student housing sector compared to £2.8b a year ago.

Pricing

The average transaction pricing has been approximately £117,150 per bed. Portfolio deals have driven 63% of the market volumes, with the acquisition of Hotel Properties Ltd. JV Temasek portfolio by Mapletree for £1 billion being a key market driver.

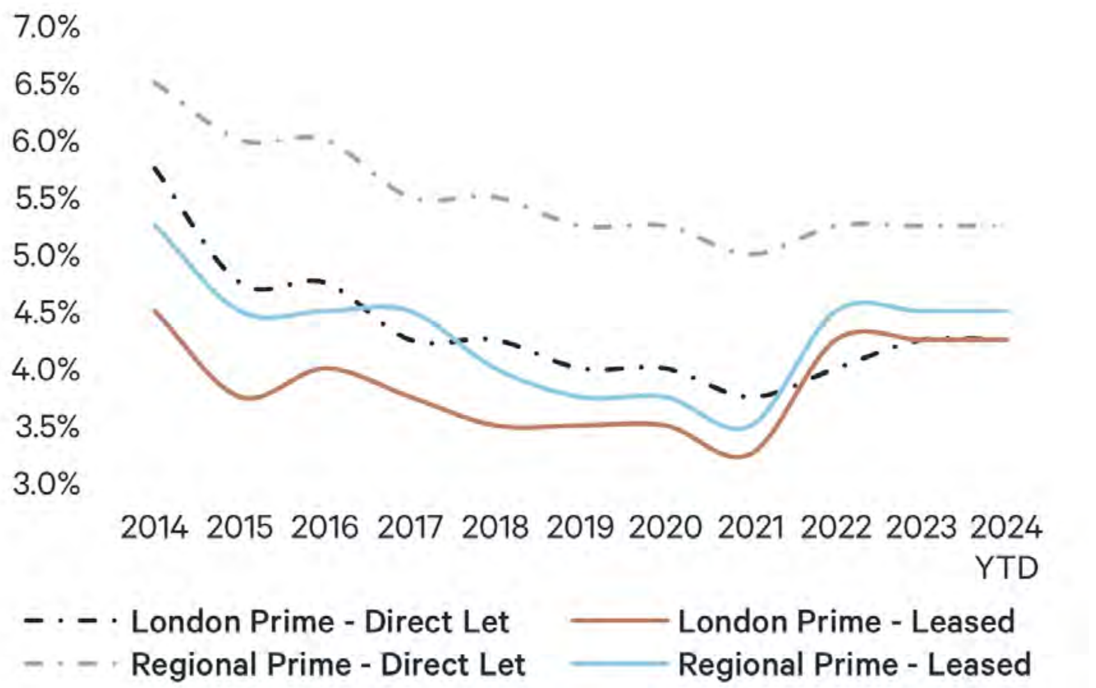
Capital Flows

Since 2014, cross-border and institutional investors have been net buyers in the student sector, while private investors have maintained a net seller position. A detailed analysis of net acquisition levels among REITs, institutional investors, cross-border funds, and private investors reveals an intriguing trend: despite the reduction in transaction volumes in 2024, the student sector has attracted approximately £108 million of new capital this year, not sourced from sales of other student assets. This compares to £87.8 million in 2023 and £139.5 million in 2022.

Key Deals

1. PGIM Acquired 6 Unite properties for £181.5m
2. Mapletree acquired 31 properties across the UK and Germany from Hotel Properties Ltd JV Temasek, for a price of £1billion (£964m allocated to the UK properties)
3. Apollo Global acquired 599 bed Pavillion Court from DWS Group for £125m

UK Student Market - Prime Yields



Yield Trend

The yield levels have generally remained stable across both direct-let and leased student schemes in the UK on YoY basis.

Direct-Let Sector Trend

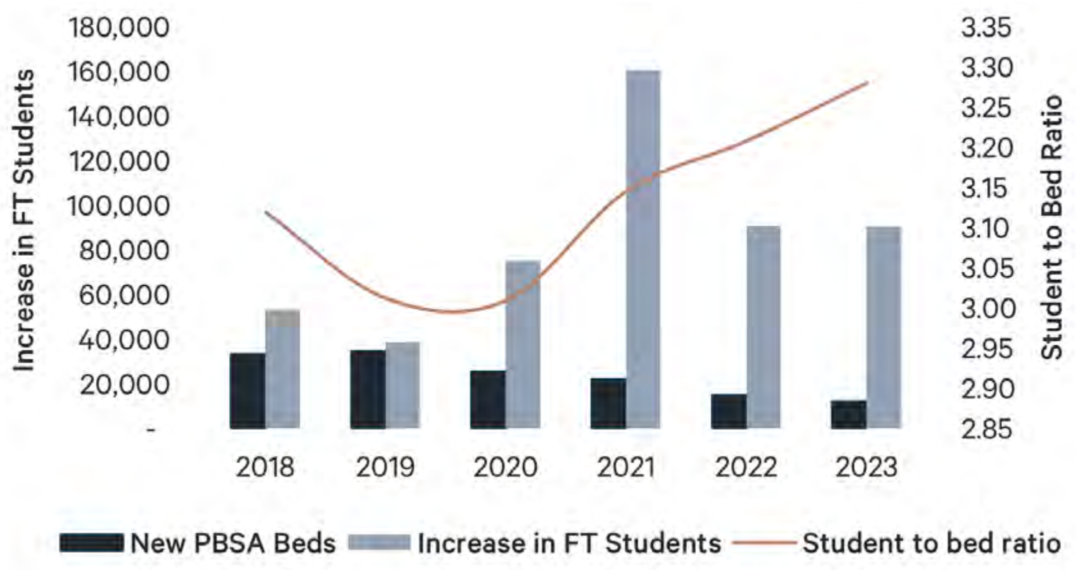
Historical trends indicate that the direct-let sector has garnered increased investor attention over the past decade, experiencing a net yield contraction of approximately 125 basis points (bps) in regional assets. In contrast, London asset yields have contracted by 150 bps during the same period. Following the 2022 mini-budget, direct-let sector yields have only widened by 25-50 bps. The significant growth in student numbers and rental rates has been a pivotal factor driving the demand for direct-let assets in the investment market.

Leased Sector Trend

Prior to 2022, the leased sector witnessed the most substantial yield compression, with regional leased assets showing a contraction of 175 bps, while London assets experienced a contraction of 125 bps. However, post-mini-budget, the leased sector experienced the greatest impact, with yields expanding by 100 bps in both regional and London markets. Over a decade, regional yields have contracted by 75 bps, while London yields have contracted by 25 bps.

UK Student Occupational Market Overview

PBSA - Supply & Demand



Overview

The UK student market faces a significant undersupply of Purpose-Built Student Accommodation (PBSA) beds, with approximately 3.30 students per PBSA bed. This imbalance has worsened post-COVID-19 due to the following factors:

Growth in Student Numbers: The reopening of the graduate route for international students in July 2021 increased international applications.

Supply Constraints: COVID-19 disrupted new PBSA deliveries, and subsequent inflation raised construction costs. The Bank of England's interest rate hikes further strained financial viability.

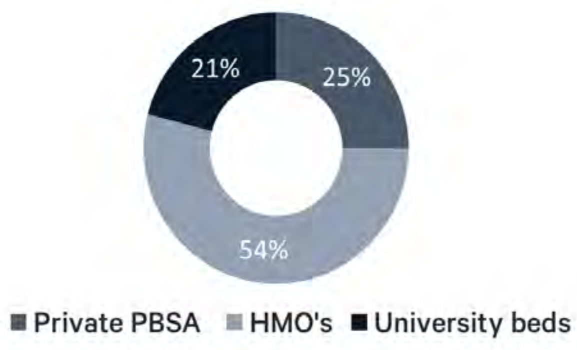
Interest Rates: The Bank of England's base rate hit 5.25% in August 2024 before dropping to 4.75%.

Construction Costs: As of September 2024, construction costs remain 23% higher than April 2021 levels.

Current Supply Mix

As of now, StuRent data indicates approximately 730,000 Purpose-Built Student Accommodation (PBSA) beds exist in the UK, across both university and privately managed segments. These constitute only 46% of total student beds when including Houses in Multiple Occupation (HMOs) in the student market. Although HMOs also house non-students as well, British students show a preference for HMOs over PBSAs, whereas international students favour PBSAs. Additionally, Build-to-Rent (BTR) developments are gaining popularity, with a strong pipeline across the UK with achieving current student occupancy rates between 10-40%.

Student Market Make-Up



Rental Growth

Year 2024-25 experienced volatility in demand, yet PBSA rents increased by 8.1% on a like-for-like basis, outpacing the 5.3% growth seen by HMOs. Glasgow experienced the highest rental growth at 10.2%, driven by strong demand and limited new supply. Conversely, Coventry saw a 0.7% decline in rents, reflecting a significant mismatch between supply and demand growth, with some schemes in the area reporting rental declines of up to 15%.

Pipeline

There are c159,000 beds in the supply pipeline at present. By the end of Q3 2024, 26,000 beds got approval out of 31,000 beds for which the application was submitted this year. Furthermore, 71% of the pipeline is located in just 10 locations. 45% of the pipeline is made up of studios which may cast doubt on the future sustainability of this particular segment as the current booking velocity and rental growth is pushing it beyond the affordable levels.

Booking Velocity

In 2024-25, the booking velocity for studio beds decreased compared to the previous year, with cluster bed bookings also declining but less significantly. The year 2024 was pivotal due to substantial immigration policy reforms affecting student, graduate, and skilled-worker visas, influencing student behaviour. International students preferred studios, whereas local students favoured cluster beds. Additionally, rental growth in studio accommodations has made them less affordable for students on maintenance loans, shifting demand towards cluster beds. Furthermore, the number of higher tariff beds has increased since 2019, while medium and low tariff stock levels have remained flat or declined. The average occupancy levels till Sep-24 was at 91.7% compared to 92.6% of previous year.

To speak to one of the Kimmre Alternatives & Retail team, please contact:

Mike Burden
+44 (0)20 7952 6103
+44 (0)7815 305 180
mike.burden@kimmre.com

Rory Turner
+44 (0)20 7952 6302
+44 (0)7852 247 977
rory.turner@kimmre.com

Naveen Kumar
+44 (0)20 3198 9640
+44 (0)7767 736 180
naveen.kumar@kimmre.com

Sam Webster
+44 (0)20 3198 9636
+44 (0)7710 183 429
sam.webster@kimmre.com

Kimmre Forecast

THOUGHT LEADERSHIP

"After two years of declining transaction volumes following the 2022 peak, the UK student investment market enters 2025 with a measured sense of optimism. Despite macroeconomic pressures, including elevated construction costs and evolving immigration policy, the sector has continued to attract capital — with over £100 million of new money entering the market in 2024 alone. Occupancy remains high, rental growth remains strong — particularly in the PBSA sector — and demand fundamentals are intact. However, ongoing supply constraints and affordability pressures, especially in the studio segment, mean that investors are likely to remain selective in the short term. Looking ahead, we expect appetite to strengthen gradually as rates stabilise and clarity returns to the planning and funding environment."

Rory Turner

TOMBSTONES - ALTERNATIVES & RETAIL

INVESTMENT ACQUISITION

PETROS COURT - PBSA

Blocks C & D, Petros Court, Canterbury, CT1 2FU

2023

Sector: Student Accomodation
Keys: 193
Client: Columbia Threadneedle
Price: £19m / 5.35% NIY

INVESTMENT ACQUISITION

LIVIN - PBSA

21-27 City Rd, Cardiff, CF24 3BJ

2023

Sector: Student Accomodation
Beds: 136
Client: Columbia Threadneedle
Price: £13m / 6.00% NIY

INVESTMENT ACQUISITION

PROJECT RAWSON

Across the UK

2022

Sector: Morrison's Supermarket
Area: 315,791 sq ft (4 properties)
Client: Confidential
Price: £100m

INVESTMENT ACQUISITION

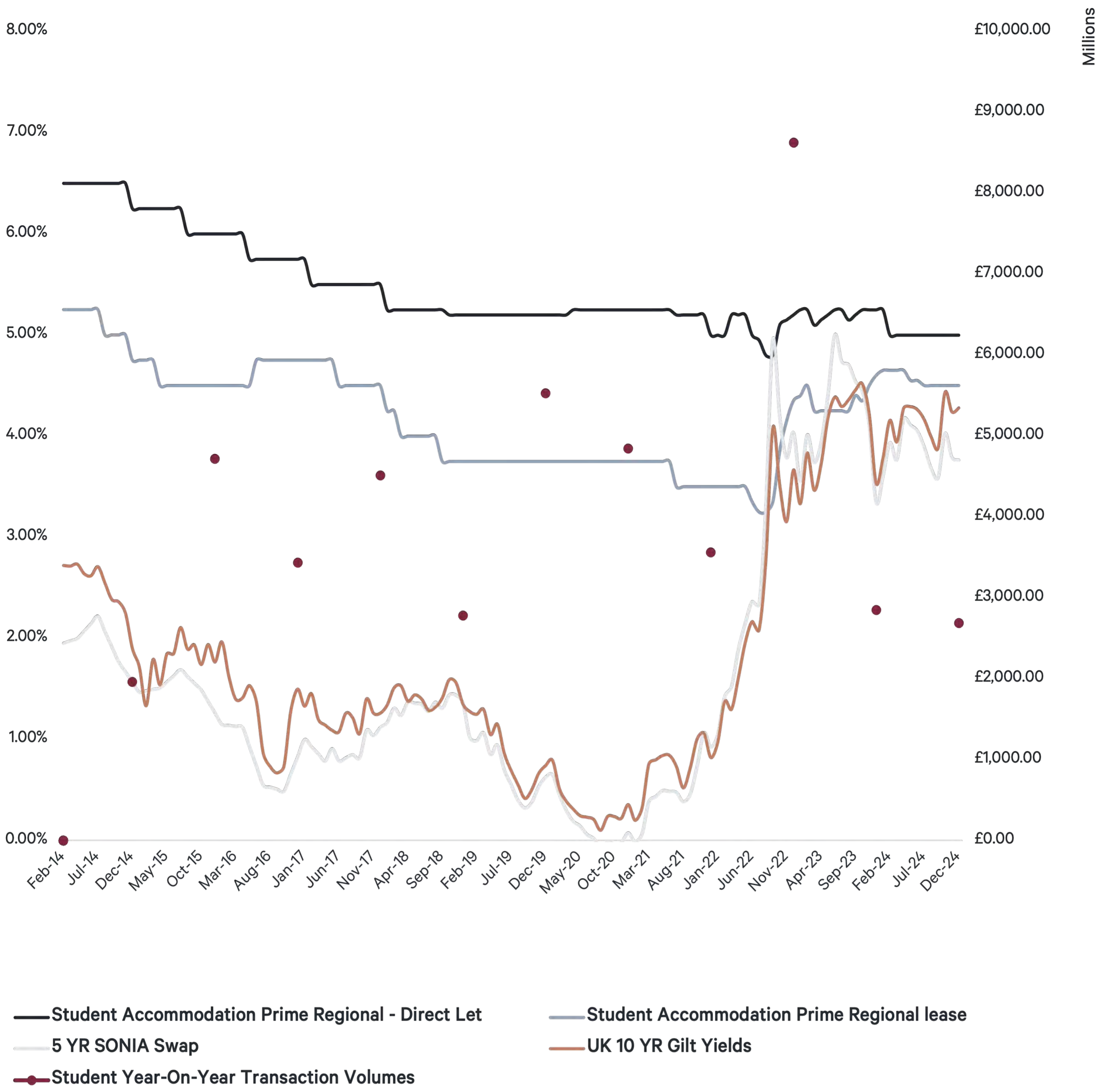
PROJECT ROSE

Suffolk, UK

2022

Sector: Alternatives - Care Home
Properties: 5 (340 registered care beds)
Client: Abrdn
Price: £44m / 4,79% NIY

STUDENT INVESTMENT MARKET TRENDS



HISTORIC YIELD TREND

"The student investment market surged post-COVID, with robust rental growth and strong demand, outpacing other sectors."

The student investment market has thrived post-COVID due to rising demand for student accommodation. In 2021, the UK government launched graduate visa route which allowed students to stay in the UK for 2 years post graduation. This initiative led to a boost in student application and resultantly led to a significant increase in student numbers, widening the supply-demand gap and driving rental growth.

Given these dynamics, Investors favored direct let PBSAs, as it became less risky due to high demand and low supply. While the regional leased yields softened a little bit, the yields in the direct let student sector have shown resistant to macroeconomic movements as investors saw student sector to outperform other sectors in the short-term.

The spread between prime direct let and prime leased student assets have contracted significantly from 150bps in 2014 to just 50bps now. However, since the recent reforms in immigration policy which aims to curb the number of dependent visas and illegal immigration the transaction volumes have dropped to £2.4b in 2024 after registering record high volumes of £8.6b in 2023.

Office

OFFICE TEAM

Acquisition and disposal of UK offices, providing strategic advice in Central London, South East and Regional Markets.

Josh Beebee

Partner
Regional, South East and Central London Office

Josh started his career at Cushman & Wakefield, where he worked within the Business Space Investment team with a focus on Institutional UK Capital and Private Equity funds tageting core and value add Business Space opportunities before ultimately moving to Kimmre in 2017, heading up the office element of the business.

Freddie Owen

Partner
UK Offices, Life Science

Freddie is a partner specialising in the acquisition, disposal and financing of major commercial investments and developments with a focus on Offices, Life Sciences & Innovation, Film Studios and mixed use schemes.

Freddie has extensive experience in appraising investment & development opportunities and advises a range of UK and International clients on developing investment strategies.

Max Clynes

Partner
UK Offices, Business Space Investment

Max joined Kimmre in 2019, following 5 years at Cushman & Wakefield in the Business Space Investment team.

Max specialises in National Office Investment where he advises institutions, property companies and private investors on disposals and acquisitions. Through this, Max has developed key investors from across the globe, particularly in Europe and the Middle East.

Hugo Clarke

Associate Partner
Central London Offices

Hugo joined the business in 2021 having previously worked at Savills and more recently Capital Real Estate Partners. Hugo has almost a decade of experience across multiple real estate sectors but joined Kimmre with a specific focus on Central London Office Investment.

He has an MSc Real Estate from Cass Business School, prior to which he gained several years of experience in the sales and marketing sector before embarking on a career change.

Kimmre

Annual round up of property news and insights from the team

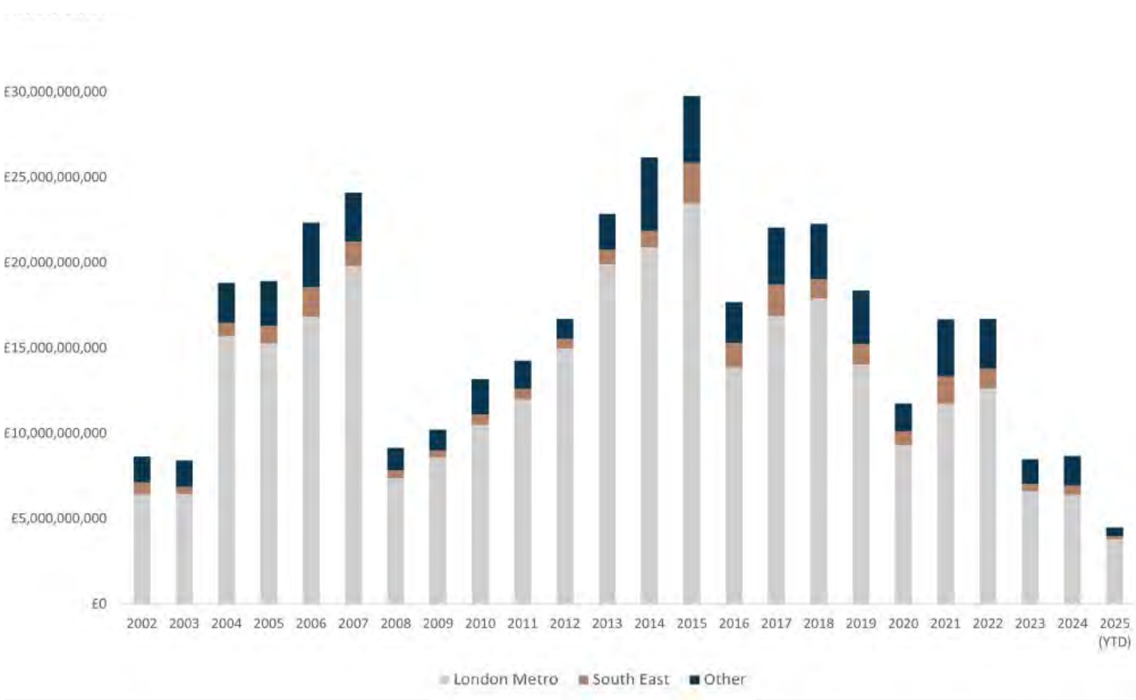
ISSUE 01 Office Edition

Q1 2025

The Kimmeridgean

UK Office Investment Activity

Deals Volume 2002-24, London/South East/Regional



Investment Activity

- Despite improving sentiment against the backdrop of base rate cuts and stabilizing swap rates, investment volumes for Central London reached £6.4bn in 2024, slightly below the £6.5bn traded in 2023. VS Mispriced / West End 2023 £3.53bn / City 2023 £3.56bn
- Liquidity for sales above £100m is beginning to increase, however the high cost of finance has continued to impact core markets. Confidence is being drawn from strong occupational markets, which continue to see significant Prime rental growth.
- The UK's core regional cities are slowly seeing improved sentiment, although there remains some nervousness. This investor interest has been driven by strong rental growth and the relative appeal of yields compared to other UK commercial real estate sectors and alternative asset classes.
- Smaller lot-sized transactions remain the dominant trend in the South East office market, with investors increasingly focused on opportunities with potential for alternative uses to residential, PBSA or industrial. Pricing has softened considerably allowing opportune value add buyers to re-enter the market.

Key Deals

Central London

45 Pall Mall, SW1
Nov-24 - £135.5 - 4.34%

Atlantic House, EC1
Sep-24 - £179.0 - 7.71%

South East

Brinell, Brighton
Mar-25 - £27.0m / 7.50% NIY / £421psf

Regional

Capital Square, Edinburgh
Under Offer / £75.0m / 5.75% NIY / £610psf

Baskerville House, Birmingham
Under Offer / c£40.0m / 9.40% NIY / £198psf

Opportunities

Central London

Mispriced core plus assets in the City of London

- CityPoint, Ropemaker, EC1
- Marketed Oct-24 at a c.24% discount to the previous year's book valuation of £681m.
- Bids came in below debt level.
- Brookfield now seeking to restructure the loan against the building, and may look to remarket once sentiment improves.

South East

Short income assets with alternative use angles

- Secondary office values have fallen significantly prompting viability for redevelopment to other uses.
- This has been intensified by the changes to Permitted Development rights which have opened up opportunities for office to residential conversions.

Regional

Mispriced core plus assets in the core regions

- The softening of pricing for core plus assets has moved to a level that can justify the cost of upgrading to a modern specification without the need to get vacant possesion.

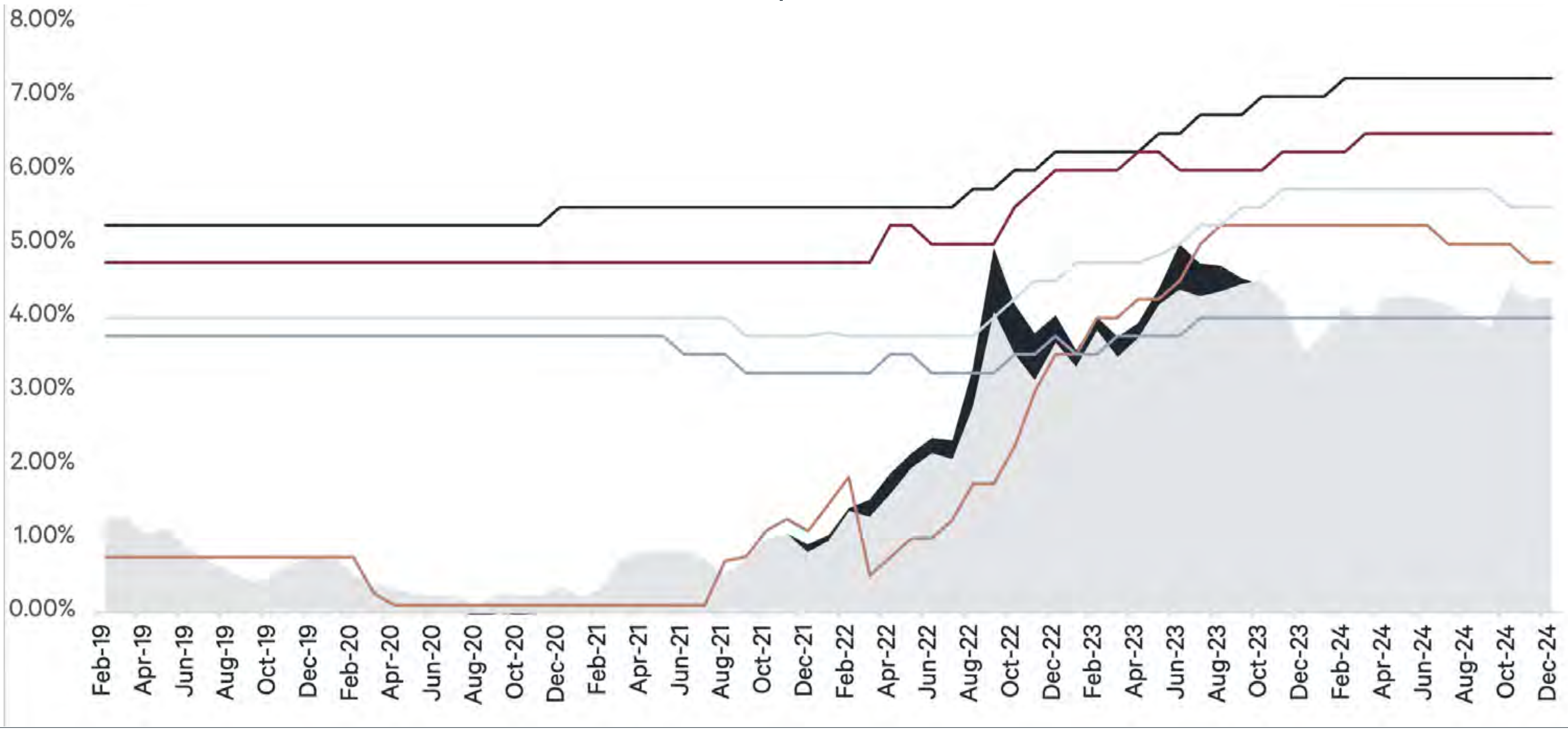
UK Office Historic Trend & Current Market Sentiment

Prime Yields

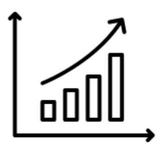
- Prime yields have reduced across core markets over the last 24 months, albeit due to low transaction volumes for best-in-class buildings there are minimal datapoints to suggest any further decline in prime pricing.
- Investor sentiment has improved, buoyed by fuller offices (employees returning to work) and significant rental growth throughout 2024.

Offices (NIY)			
	Jan 24	Jan 25	Trend
Regional - Prime	6.50%	6.50%	→
South East - Prime	7.25%	7.25%	→
City - Prime	5.25%	5.25%	→
West End - Prime	4.50%	4.50%	↘
Life Sciences	4.75%	4.75%	→

UK Yield / Rate Trend



Outlook - H1 2025



Deal Volumes
Expected to stay muted in H1 2025

Pricing Correction
Certain assets will continue to transact at a discount

Prime Yields
Steady in the short / medium-term

Market Sentiment
Will improve as inflation and BoE rates soften in the medium-term

ESG
Continued investment drive towards most efficient buildings

To speak to one of the Kimmre Office team, please contact:

Josh Beebee
+44 (0)20 7952 6297
+44 (0)7539 439 300
josh.beebee@kimmre.com

Freddie Owen
+44 (0)20 7952 6100
+44 (0)7436 109 666
freddie.owen@kimmre.com

Max Clynes
+44 (0)20 7952 6303
+44 (0)7746 984 112
max.clynes@kimmre.com

Hugo Clarke
+44 (0)20 7952 6100
+44 (0)7775 501 434
hugo.clarke@kimmre.com

Kimmre Forecast

THOUGHT LEADERSHIP

Despite ongoing market headwinds, investor sentiment towards the UK office sector is showing signs of recovery. Renewed confidence is being driven by sustained rental growth and robust occupier demand for high-quality space. This is further supported by tightening supply and a constrained development pipeline, with prime office rents forecast to rise significantly. While an uptick in investment activity is anticipated over the course of the year, a continued shortage of motivated sellers may temper overall transaction volumes.

Max Clynes

TOMBSTONES - OFFICE

INVESTMENT ACQUISITION

IMPERIAL BANDS HQ

121 Winterstoke Rd, Bristol, BS3 2LL

2024

Sector: Office Building
Area: 85,394 sq ft NIA
Client: Northtree IM
Price: £33.7m / 8.00% NIY

INVESTMENT DISPOSAL

40 CLARENDON ROAD

Watford, WD17 1JJ

2024

Sector: Office Building
Area: 49,028 sq ft
Client: Columbia Threadneedle
Price: £19.5m / 8.35% NIY

INVESTMENT ACQUISITION

2 RIVERGATE

Bristol, BS1 6EL

2024

Sector: Office Building
Area: 70,550 sq ft NIA
Client: Tri7
Price: £14.5m / 11.00% NIY

INVESTMENT ACQUISITION

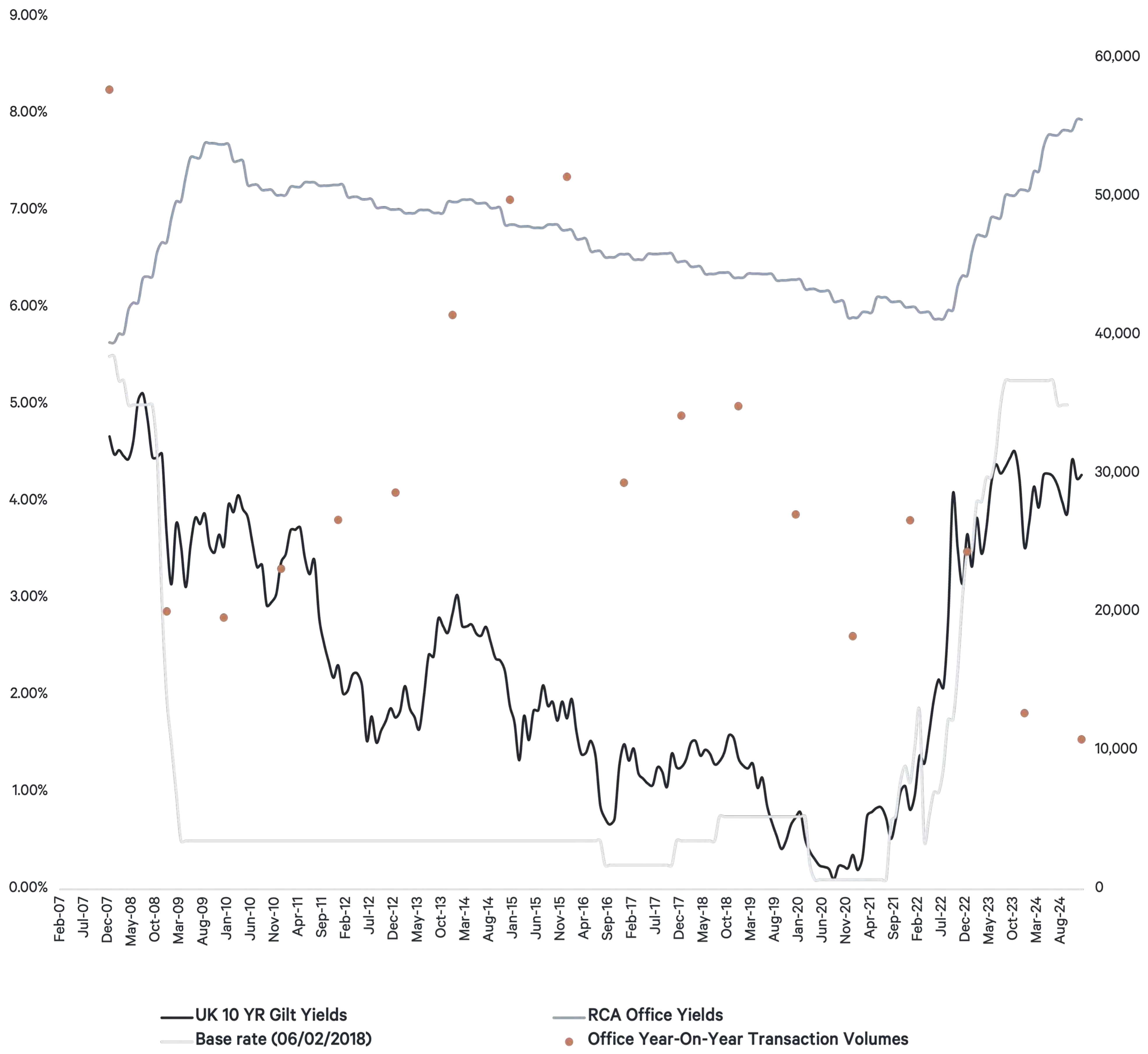
NORTH BAILEY HOUSE

Oxford, OX1 2RP

2024

Sector: Office Building
Area: 28,563 sq ft NIA
Client: Brydell Partners
Price: £21.25m / 6.85% NIY

OFFICE INVESTMENT MARKET TRENDS

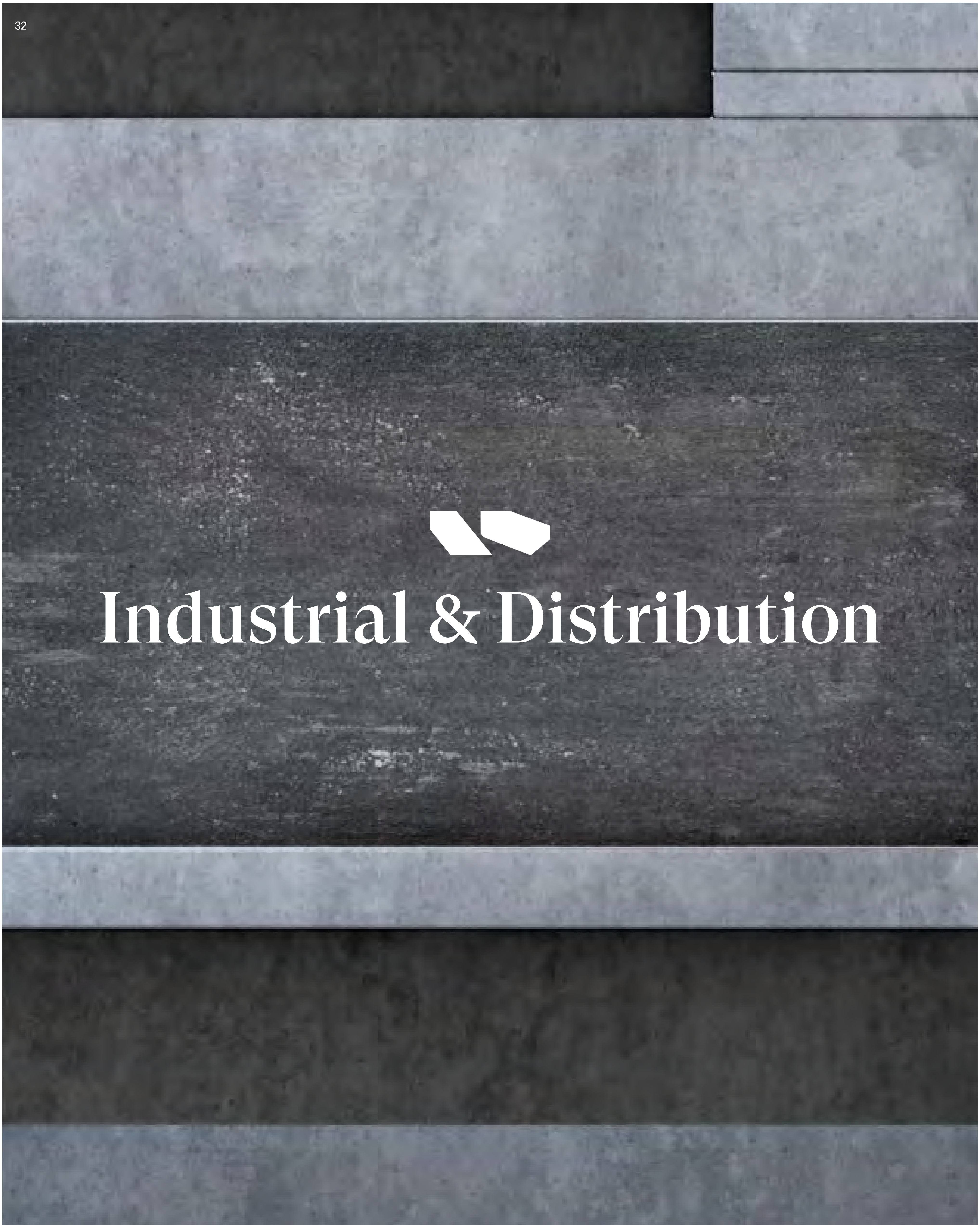


HISTORIC YIELD TREND

"Past few years have been difficult for the office sector as remote work and economic shifts reshaped investment perspectives. More talks about reintroducing a 5-day office culture are, however, changing the outlook."

Commercial real estate yields typically follow government bond yields but are also influenced by industry-specific risks. During the GFC (2008-2009), office sector yields increased by 200bps. As Gilt Yields declined due to rate cuts, office yields hardened, and investment volumes peaked at £51.5b in 2015.

The Brexit referendum (2016) led to a 43% decline in office investment volumes, although yields continued to trend downward with Gilts. COVID-19 caused further declines, with remote/hybrid work culture impacting future office occupancy perspectives. The UK 2022 mini-budget exacerbated concerns, causing a rapid rise in Gilt Yields and hitting the office sector hard. Currently, average office yields exceed GFC levels, but with major banks like JP Morgan reconsidering in-office work, investment perspectives are evolving.



Industrial & Distribution

INDUSTRIAL & DISTRIBUTION TEAM

Richard Peace

Partner
Industrial & Distribution

Richard was previously a partner at Cushman & Wakefield and prior to that held positions at Cyril Leonard and GSD. Richard has over 20 years experience in the Investment Market and has worked in Leeds, Manchester and London.

Matthew McGrail

Partner
Industrial & Distribution

Matthew has over 22 years experience in the UK Industrial and Logisticts sector. He previously worked for Savills and more recently as the Head of UK Industrial Capital Markets at CBRE.

Peter Winfield

Partner
Industrial & Distribution

Peter has over 30 years of experience in the UK Real Estate investment and development market. Peter's previous roles include head of Industrial Investment at JLL and joint head of Business Space Investment at Cushman & Wakefield. Most recently Peter founded TRW Real Estate.

Mike Needham

Partner
Industrial & Distribution

Mike previously worked in the UK Industrial & Logistics Capital Market team at CBRE in London and prior to that worked at JLL in Birmingham.

Russell Nimmo

Partner
Industrial & Distribution

Russell has worked within the Business Space Investment team at Cushman & Wakefield and Montagu Evans prior to joining Kimmre. Russell specialises in the Industrial and Logistics marker in both investment and development.

Jody Smith

Partner
Industrial & Distribution

Jody has over 17 years' experience in the Industrial and Logistics market. His key focus in the disposal and acquisition of industrial premises and land on both a leasehold and freehold basis.

Josh Hammett

Associate Partner
Industrial & Distribution

Prior to Kimmre, Josh worked at NHS Property Services, where he was part of the London transaction team dealing with the disposal of surplus assets. Josh joined Kimmre in July 2022 and works within the Industrial and Logistics investment and agency team.

Charlie Nelmes

Senior Surveyor
Industrial & Distribution

Charlie joined Kimmre in 2024 as part of the Industrial team. Prior to joining Kimmre, he worked in CBRE's National Valuation team, specializing in the valuation of industrial and logistics assets. He holds a BSc in Real Estate for the University of Reading.

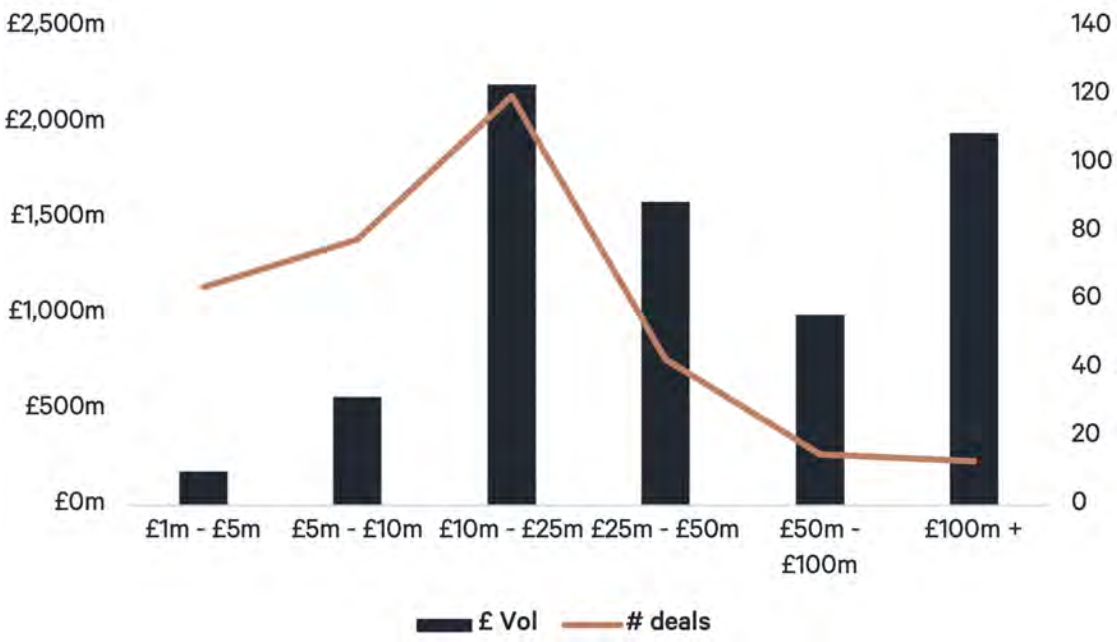
ISSUE 01 Industrial Edition

Q1 2025

The Kimmeridgean

UK Industrial & Distribution - 2024 in Brief

UK Industrial & Logistics Market Activity 2024



2024 Quarterly Volumes

Q1 Volume - £1.39b – 72 deals	Average NIY 6.22% Achieved
Q2 Volume - £1.66b – 95 deals	Average NIY 5.91% Achieved
Q3 Volume - £1.59b – 76 deals	Average NIY 5.85% Achieved
Q4 Volume - £2.39b – 79 deals	Average NIY 5.64% Achieved

2024 Sector Volumes*

Single Let Deals	- £2.47 billion	- 5.95% NIY Average
Multi-Let Estate Deals	- £3.22 billion	- 5.85% NIY Average
Portfolios (only 100% ind)	- £1.13 billion	- 6.01% NIY Average

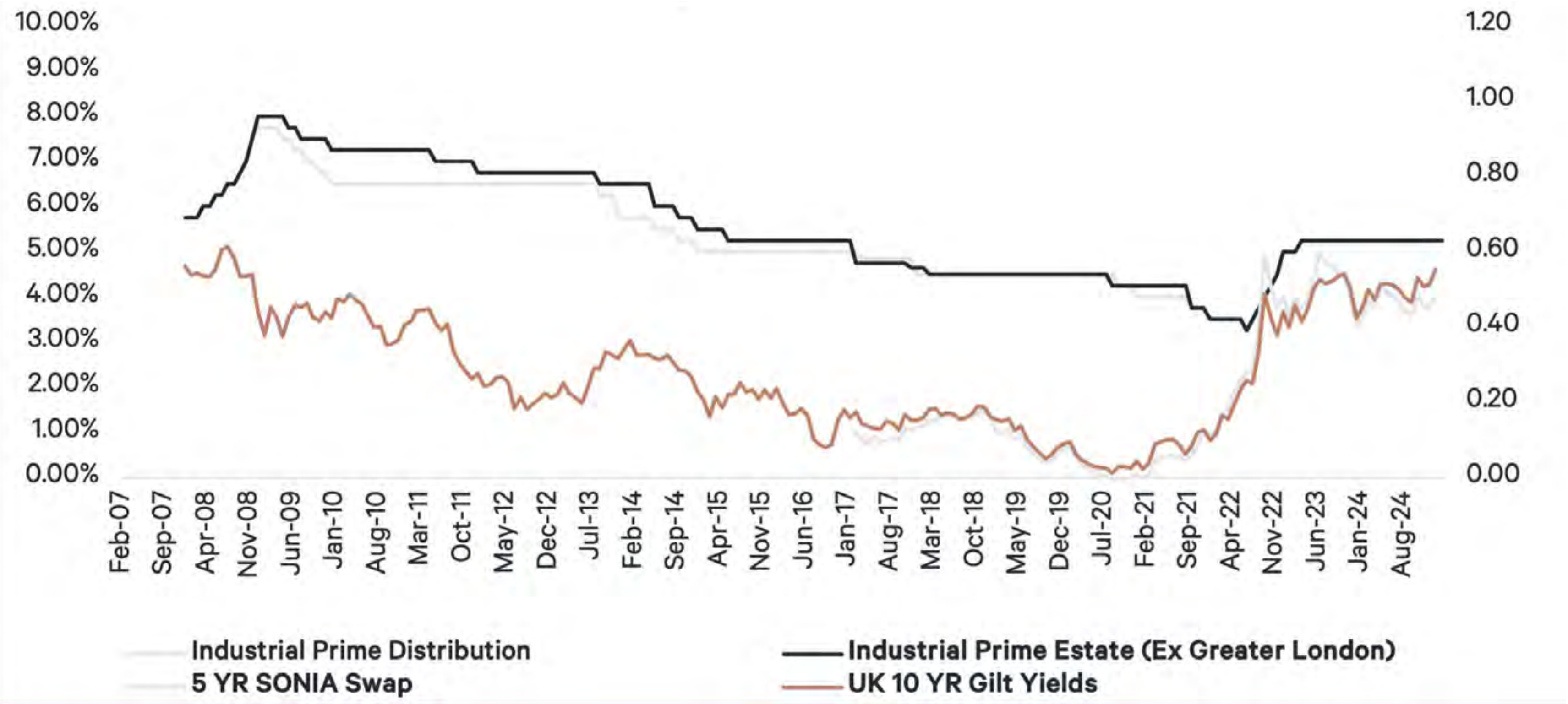
** these figures do not include multi-sector portfolio deal volume, iOS or development land*

Following a period of repricing in 2023, industrial assets saw improved liquidity and investor interest in 2024, which progressed as the year went on to a c.15% increase in volume. Strengthening yields, sustained rental growth and stabilised debt costs encouraged investment, which culminated in a strong Q4.

We anticipate investors will take stock of the market in the early part of 2025 taking into account recent rises in debt costs, and where the "risk free" gilt rates are, and impact of recent government fiscal policy. This is likely to be another year where careful re-calibration of investor requirements will be needed. On a more positive note, there appears to be light at the end of the tunnel on a macro perspective with the global conflicts seeming to be on the road to determination, the EU making reconciliatory noises with the UK, and more pressure on the Bank of England to reduce the base rate.

Higher debt rates will continue to fuel a greater spread of pricing across investor strategies, but the considerably weight of capital targeting the sector, in particular on core markets, combined with the relatively limited development over the past 18-24 months, and the sustained rental growth picture, we anticipate that industrial focussed investors will continue to invest strongly over 2025.

Industrial & Logistics Prime Yield vs Gilt & SONIA Rates



Source: Kimmre & MSCI

Key Themes in Industrial Commercial Property for 2025

Sector Outperformance
The industrial and logistics sector is expected to outperform relative to other sectors in rental growth, supported by robust occupier demand and a tight supply pipeline. It is critical to note this is location and unit size specific, whereby pockets of the market are experiencing over-supply relative to demand drivers. That said, we expect these properties to be absorbed in as occupier confidence returns. We have seen greater enquiries in the first few weeks of the year, which reflect positively.

Limited Supply
While availability rates have risen to c.7% across the UK due to returning second-hand stock, speculative development remains muted due to a combination of rising development costs, planning delays, and economic uncertainty, keeping prime stock scarce. As stock remains scarce, sustained rental growth in good quality second hand space should continue.

Efficiency in Supply Chains
Occupiers continue to prioritise de-risking and decarbonising supply chains, pushing demand for high-specification logistics spaces, albeit C-suite decisions have been delayed over the past 12-18 months as a result of macro-economic headwinds. Key decisions from players like Amazon, who have taken 1m sq ft in Kettering, are predicted to jump start these decision processes.

Looking Ahead
Speculative development is expected to grow modestly, although developers remain cautious about overcommitting in the face of uncertain demand.

Industrial Open Storage (IOS) Consolidation
The IOS market continues to present a key opportunity for value add investors, driven by the robust rental growth whereby rents are estimated to have increased nationally by just under 25% in the past 12 months alone. This rental growth has been propelled by historic low rents, constrained supply, and increasing occupational demand from a diversifying range of industries as covered storage become more gentrified (and expensive). The investment market remains relatively specialist in nature as specific matters, in particular planning, present critical hurdles for investors.

Data Centre Expansion
With increased reliance on AI and cloud computing, data centres are becoming critical, further fuelling demand for prime industrial land.

Sustainability Pressures
Tenants increasingly prioritise energy-efficient properties to reduce operating costs and align with corporate ESG goals. Current estimates indicate over 70% of commercial properties fail to meet Minimum Energy Efficiency Standards (MEES). Upgrading properties to meet MEES standards present a problem for some investors due to the capital investment required, which have increasingly become a trigger for investors to consider sales, to then recycle the capital into more modern properties.

Improved Liquidity
The industrial sector remains the most liquid sector of the commercial property market. Increased participation from diverse global investors is driving this, with strong interest across the risk spectrum, including value-add and core-plus opportunities. Core buyers were particularly active in the final half of the 2024, which we forecast will continue into 2025 despite the high yields being achieved on the "risk free" rate.

Two Tier Market
There is an increasing polarisation of pricing for core investments over core-plus / value add product, the latter being driven in the main by debt backed buyers who need to service the initial interest.

Investor Focus
Investors will continue to prioritise multi-let assets due to their income and covenant diversity creating relative resilience in volatile markets, however the strong showing in the multi let sector relative to recent years is also indicative of the numbers of investors willing to sell.

"Inch Wide, Mile Deep"
There has been greater scrutiny on property fundamentals across all major buying strategies, with commonalities in investor strategy creating stronger interest in particular properties which meet these fundamentals, and very little interest where this is not the case.

Build-to-Core Strategies
Investors are exploring development projects to enhance access to the tightly held industrial market, particularly for multi-let logistics assets – however the market is highly competitive, in particular in the South East.

There May be Trouble Ahead...
Anecdotally there have been more instances of pressure on tenant's bottom lines resulting in default. This risk is predicted to be higher in the short term due to the government's fiscal policy, and the rises to energy cost, the minimum wage and employer's National Insurance contributions. Accordingly, due to the relative delay with occupier decision making, investors are less bullish on letting void periods, and we believe that there will be more scrutiny on tenant covenant strength relative to rental outgoings.

Green Shoots
Whilst it is still early into 2025 we have seen an uptick in occupier sentiment, with large commitments from blue chip companies such as Tesco, Amazon and Nike on key sites. We expect to see more occupiers looking for grade A space with better operational and energy efficiency continue to grow through 2025.

Great Expectations
We anticipate more large scale portfolio transactions and recapitalisation of funds, along with mergers in 2025. Will investment volumes increase over £9 billion? We believe so.

To speak to one of the Kimmre Industrial & Logistics team, please contact:

Richard Peace	Matthew McGrail	Peter Winfield	Mike Needham	Russell Nimmo	Jody Smith
+44 (0)20 7952 6104	+44 (0)20 7952 6102	+44 (0)20 7952 6101	+44 (0)20 7952 6295	+44 (0)20 7952 6100	+44 (0)20 7952 6100
+44 (0)7870 649 217	+44 (0)7870 555 725	+44 (0)7778 159 402	+44 (0)7903 136 242	+44 (0)7835 664 470	+44 (0)7971 588 334
richard.peace@kimmre.com	matthew.mcgrail@kimmre.com	peter.winfield@kimmre.com	mike.needham@kimmre.com	russell.nimmo@kimmre.com	jody.smith@kimmre.com

Kimmre Forecast

THOUGHT LEADERSHIP

The UK Industrial Investment market traded circa £8.5 billion of stock in 2024 but this represents a significant drop from its £16 billion peak in 2021. The market has struggled with rising debt costs and global economic uncertainty but the capital that had been raised for the sector globally has really just been put on pause. No other sector has created exciting enough returns to remove the global spot light from the industrial sector so we march on into a 2nd phase of capital deployment. In 2025 we expect the secondary market pricing to separate appropriately from prime stock as more expensive debt impacts required returns. Stock picking in markets where rental growth has not peaked will be a key skill for 2025 as void levels have increased across the UK to circa 7%. We also expect to see more large scale portfolio deals in 2025 as investors continue to look for scale and portfolio magnification.

Richard Peace

TOMBSTONES - OFFICE

INVESTMENT ACQUISITION

BLUE RIBBON PARK

Power Park 170, Blue Ribbon Park, Coventry, CV6 5RE

2024

Sector: Industrial
Area: 73,070 sq ft GIA
Client: Accure Capital
Vendor: Daily Mail Pension Fund
Price: £10.7m / 4.90% NIY

INVESTMENT ACQUISITION

MASTHEAD INDUSTRIAL ESTATE

Crossways Business Park, Dartford, DA2 6GQ

2024

Sector: Industrial
Area: 199,291 sq ft GIA
Client: Harleyford Capital
Vendor: Abrdn
Price: £39.5m / 5.16% NIY

INVESTMENT ACQUISITION

CO-OPERATIVE DISTRIBUTION CENTRE

Castlewood Business Park, NG17 1JF

2023

Sector: Industrial
Area: 480,041 sq ft GIA
Client: Tritax Big Box REIT
Vendor:
Price: £46m / 5.72% NIY

INVESTMENT ACQUISITION

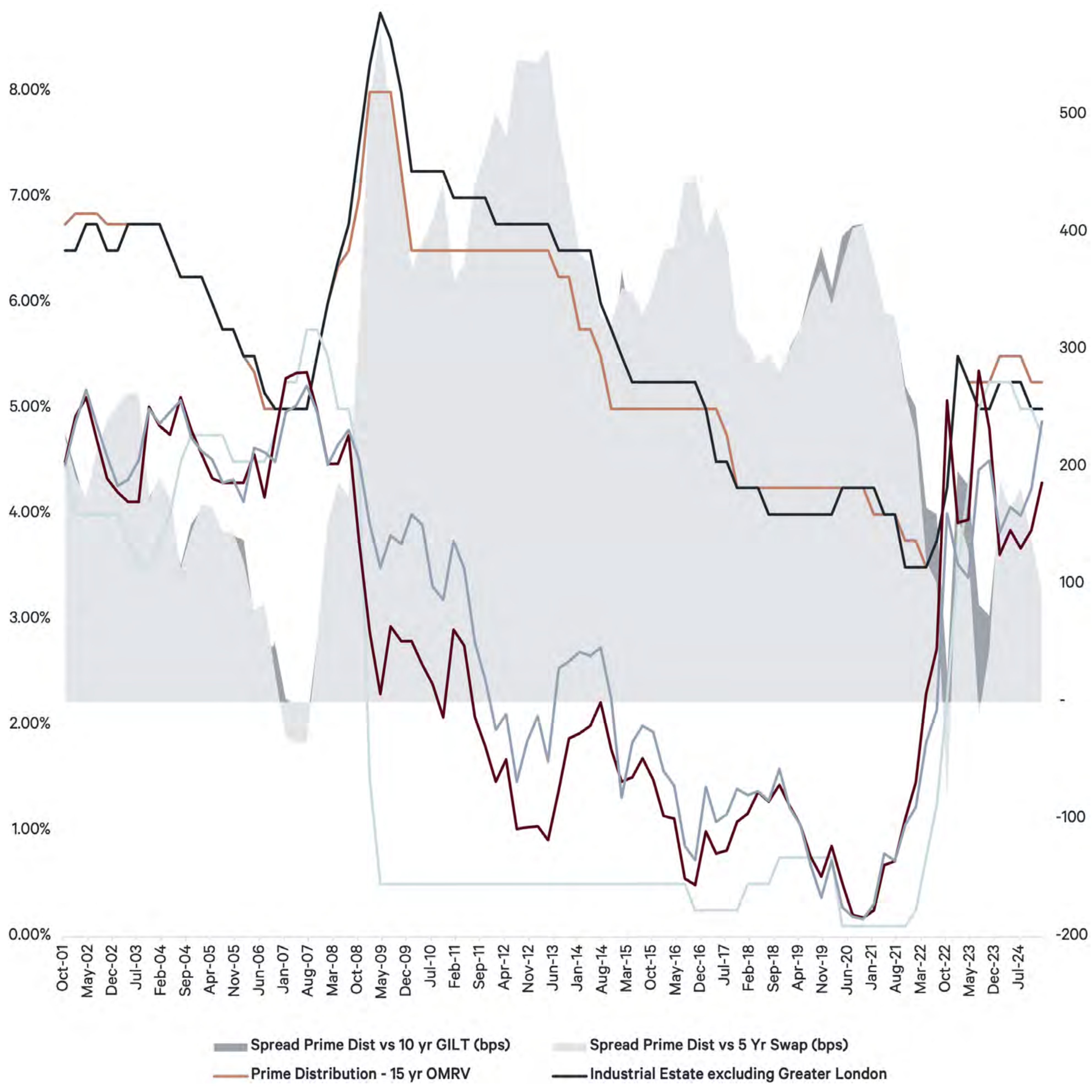
SAXON PARK INDUSTRIAL ESTATE

Milton Keynes, MK1 1QU

2025

Sector: Industrial
Area: 127,066 sq ft GIA
Client: Marchmont IM
Vendor: L&G
Price: £18.6m / 5.35% NIY

PRIME QUARTERLY INDUSTRIAL YIELDS OCT 2001 - JAN 2025



HISTORIC YIELD TREND

"Post-2013, the UK industrial sector's yield contracted the most, driven by economic recovery, low interest rates, and surging demand for logistics and warehousing."

During the GFC (2008-2009), industrial sector yields increased by 250bps (the highest movement among sectors). Until 2013, despite the downward movement in Gilt yields, industrial yields showed resistance before eventually contracting as investments rose.

As the UK economy recovered from GFC, and e-commerce fueled the demand for warehouses in the UK, low interest costs boosted the industrial investment volumes with the volumes reaching at staggering c£30b in 2021. Over this period, the industrial yields continued to decline, dropping from 8.75% in June 2013 to approximately 4.90% in September 2022, marking the steepest contraction among sectors.

However, the post-mini budget in September 2022 raised concerns about the UK's economic health, causing Gilt yields to rise dramatically. Resultantly, the industrial yields have moved out by around 170bps since 2022 mini-budget. Consequently, investment volumes have returned to pre-COVID levels.

The
Chalkboard

Sector Yield Tracker

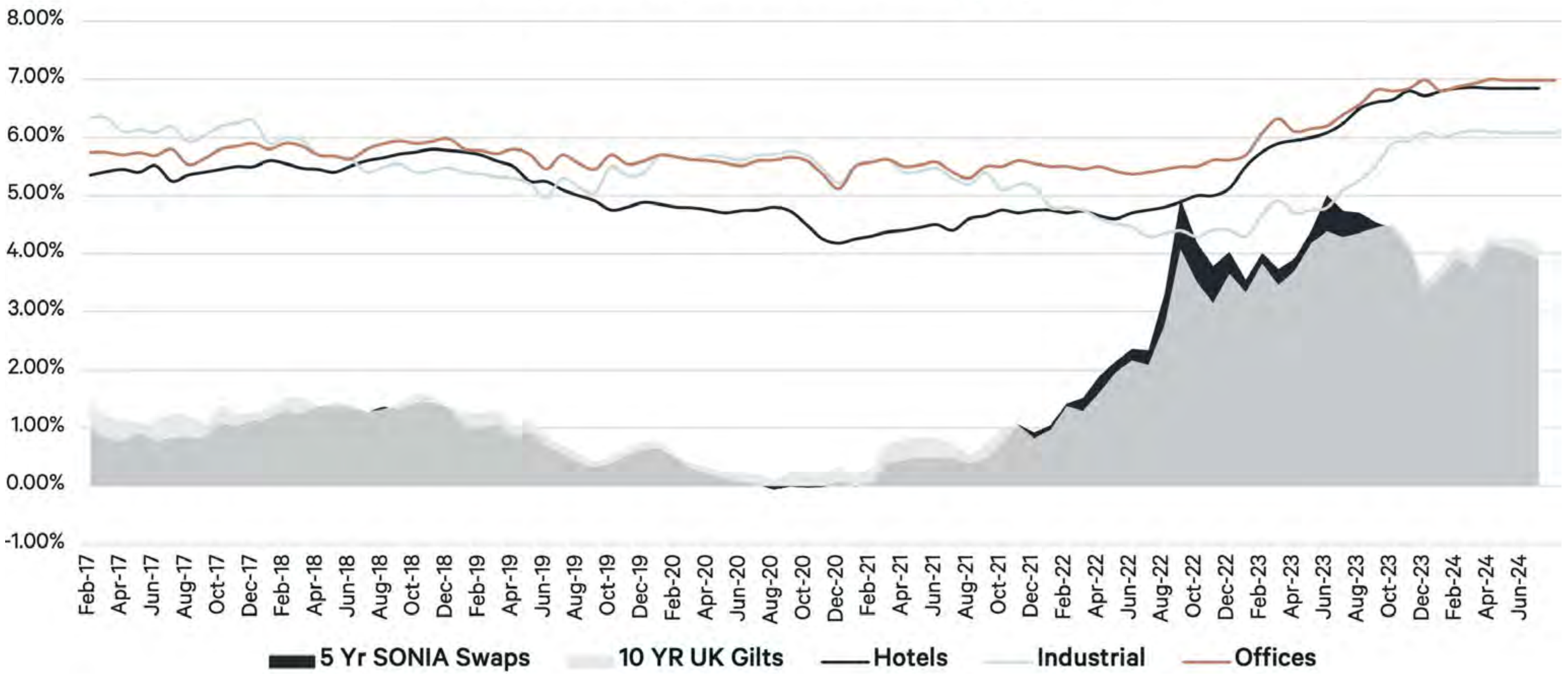
Offices (NIY)	Jan 24	Jan 25	Trend
Regional - Prime	6.50%	6.50%	➡
South East - Prime	7.25%	7.25%	➡
City - Prime	5.25%	5.25%	➡
West End - Prime	4.50%	4.50%	➘
Life Sciences	4.75%	4.75%	➡

Industrial (Equiv. Yields)	Jan 24	Jan 25	Trend
Prime Distribution – 15 Yr OMRV	5.50%	5.50%	➘
Secondary Distribution – 10 Yr	6.00%	6.00%	➘
Industrial Estates excl. Greater London	5.25%	5.25%	➘
Good Secondary	5.50%	5.50%	➘
Secondary Industrial Estate (10+ Yr Old)	7.25%	7.25%	➡

Hotels (NIY) (20 Yr + Index Linked)	Jan 24	Jan 25	Trend
Leased Hotels – London	4.75%+	4.50%	➘
Leased Hotels - Major Cities	5.25%+	5.25%+	➘
Leased Hotels - Secondary	6.25%+	6.25%+	➡

Purpose Built Student Accommodations (NIY)	Jan 24	Jan 25	Trend
Direct Let – Prime	4.00%	4.00%	➡
Direct Let – Non-Prime	4.25%	4.25%	➡
Leased – Prime	4.25%+	4.25%+	➡
Income Strips / Ground Rents	4.00%	3.75%	➘

10 Yr Gilt, 5 Yr Swaps vs UK Commerical Property Yields



LIVE DEALS

Live

INVESTMENT SALE

MOZAMBIQUE PORTFOLIO

Across the UK

Sector: Hotel - Travelodge Portfolio
Properties: 12 Hotels / 560 Beds
Price: c£43m / 7.00% NIY

Live

INVESTMENT SALE

TRAVELODGE NOTTINGHAM

New City House, Maid Marian Way, Nottingham, NG 6AJ

Sector: Hotel - Mixed Use
Properties: 114 bed hotel, 9 retail units, 25 car parking spaces
Price: £11.5m / 7.55% NIY

Live

INVESTMENT SALE

ACCESS 12

Station Road, Theale, Berkshire, RG7 4PN

Sector: Industrial
Area: 42,638 sq ft GIA
Price: £9.175m / 5.25% NIY - 6.74% RY

Live

INVESTMENT SALE

BODYCARE

Matrix Park, 9 Western Avenue, Chorley, PR7 7NB

Sector: Industrial
Area: 207,554 sq ft GIA
Price: £14.3m / 6.94% NIY

What defines us

We rely on, and care for each other. We build networks and partners without boundaries. We welcome everyone’s unique contributions, communicate candidly, and work together as ONE team - we are a family.

We are accountable. We are in business to create value, and we celebrate when we do. We are focused on our competitive fitness, efficiency and agility. We make quality decisions, and are each empowered to deliver excellence.

We thrive in a fun work environment where work is not considered work when you are having fun and enjoy the working environment, team and ethos.

MEET THE TEAM

Peter Winfield
Partner
+44 (0)20 7952 6101
+44 (0)7778 159 402
peter.winfield@kimmre.com

Matthew McGrail
Partner
+44 (0)20 7952 6102
+44 (0)7870 555 725
matthew.mcgrail@kimmre.com

Mike Burden
Partner
+44 (0)20 7952 6103
+44 (0)7815 305 180
mike.burden@kimmre.com

Richard Peace
Partner
+44 (0)20 7952 6104
+44 (0)7870 649 217
richard.peace@kimmre.com

Freddie Owen
Partner
+44 (0)20 7952 6299
+44 (0)7436 109 666
freddie.owen@kimmre.com

Josh Beebee
Partner
+44 (0)20 7952 6297
+44 (0)7539 439 300
josh.beebee@kimmre.com

Mike Needham
Partner
+44 (0)20 7952 6295
+44 (0)7903 136 242
mike.needham@kimmre.com

Rory Turner
Partner
+44 (0)20 7952 6302
+44 (0)7852 247 977
rory.turner@kimmre.com

Russell Nimmo
Partner
+44 (0)20 3198 9638
+44 (0)7835 664 470
russell.nimmo@kimmre.com

Max Clynes
Partner
+44 (0)20 7952 6303
+44 (0)7746 984 112
max.clynes@kimmre.com

Jody Smith
Partner
+44 (0)20 3198 9644
+44 (0)7971 588 334
jody.smith@kimmre.com

Hugo Clarke
Associate Partner
+44 (0)20 3198 9637
+44 (0)7775 501 434
hugo.clarke@kimmre.com

Josh Hammett
Associate Partner
+44 (0)20 7952 0741
+44 (0)7387 637 554
josh.hammett@kimmre.com

Naveen Kumar
Senior Analyst
+44 (0)20 3198 9640
+44 (0)7767 736 180
naveen.kumar@kimmre.com

Charlie Nelmes
Senior Surveyor
+44 (0)20 7952 6298
+44 (0)7919 970 336
charlie.nelmes@kimmre.com

Sam Webster
Real Estate Analyst
+44 (0)20 3198 9636
+44 (0)7710 183 429
sam.webster@kimmre.com

Suzie Giangolini
Executive Assistant
+44 (0)20 7952 6100
+44 (0)7884 232 860
suzie.giangolini@kimmre.com

Anna Erfaldt
Administrative Assistant
+44 (0)20 7952 6100
+44 (0)7549 215 119
anna.erfaldt@kimmre.com

Get in touch